

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive review of
the revenue requirements and
rate stabilization plan of
Southern Bell Telephone and
Telegraph Company.

DOCKET NO. 920260-TL
ORDER NO. PSC-98-0693-FOF-TL
ISSUED: May 19, 1998

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING REFUND

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service
Commission that the action discussed herein is preliminary in
nature and will become final unless a person whose interests are
substantially affected files a petition for a formal proceeding,
pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Order No. PSC-94-0172-FOF-TL, issued in this docket on
February 11, 1994, provides that BellSouth Telecommunication,
Inc.'s (BellSouth) 1997 earnings in excess of 12.5% return on
equity (ROE), adjusted for the difference between the 1993 and 1996
average AA Utility Bond Rates for September through November of
each year, respectively, would be shared with subscribers. The
resulting threshold for 1997 is 13.11% ROE and 18.11% ROE before
sharing. Amounts were to be shared as follows: 60% refunded to
the customers with the balance retained by BellSouth between 13.11%
ROE and 18.11% ROE, plus 100% of earnings above 18.11% ROE to be
refunded. BellSouth filed a preliminary surveillance report on
March 20, 1998, for the twelve months ending December 31, 1997,

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along with a proposal on how to treat \$123.5 million in earnings above the sharing threshold.

PRELIMINARY REFUND

BellSouth proposes that these funds be returned to ratepayers using the same methodology approved by this Commission in Order No. 25367, issued on November 20, 1991, in Docket No. 880069-TL. We agree that this is appropriate. Therefore, BellSouth's proposal to refund 60% of earnings between 13.11% ROE and 18.11% ROE plus 100% of earnings above 18.11% ROE on a preliminary basis for 1997 in the amount of \$123.5 million is approved, with the modification that interest of \$3.175 million be added to the \$123.5 million resulting in a total refund of \$126.675 million. This shall be refunded to customers of record as of March 27, 1998. Refunds shall be made based on access lines, pro rata according to rate levels. ESSX customers shall receive refunds based on applicable Network Access Register rates. Refunds shall be distributed during the June, 1998 billing cycles.

We find that \$3.175 million in interest should be added to the preliminary refund amount of \$123.5 million to recognize the time period from January 1, 1998 to the middle of the month refunds are actually made, June 15, 1998. Prior years sharing refunds have resulted in rate base reductions, therefore benefitting subscribers in subsequent years. Since 1997 is the last year of sharing, the subscribers will not receive a benefit from rate base reductions in 1998 and beyond. Therefore, it is necessary to add interest for the time period between from January 1, 1998 and June 15, 1998, the midpoint of the month which refunds are made. The \$123.5 million in earnings to be refunded is based on BellSouth's surveillance report for the 12 months ending December 31, 1997. The \$123.5 million refund is preliminary, and will be "trued-up" after final company adjustments, audit adjustments, and other possible adjustments are included. Any future adjustments to 1997 earnings should also include interest from January 1, 1998.

The refund to an R-1 customer in the highest rate group will be approximately \$14.00; for a B-1 customer it will be about \$39.00. These amounts reflect the assumption that subscribers who pay usage rates plus some percentage of the equivalent flat rate, will receive refunds based on either the flat rate surrogate, if applicable, or the full equivalent flat rate. This is equitable since most usage rate subscribers pay more for local service than the flat rate subscribers to the same service. Thus they should

receive refunds that are at least equivalent to those based on flat rates.

In addition, Rule 25-4.114, Florida Administrative Code, requires the following:

- a. Refunds must be made within 90 days of the final order.
- b. Motions for reconsideration do not delay refunds unless a stay is requested and granted.
- c. The Company must file refund reports.

In the final report submitted after the refunds are made pursuant to Rule 25-4.114(7), Florida Administrative Code, BellSouth shall include documentation (in the form of a price out) showing the calculations for the actual refund amounts per line.

FUTURE ADJUSTMENTS TO REFUND AMOUNT

BellSouth's proposal states that while the surveillance report shows the amount of refund based on the best information that is currently available, certain tax and other adjustments (such as out-of-period) related to the 1997 calendar year will result. Based on the final earnings amount, the refund approved by this Order may be too great or too small. Also, there may be audit adjustments that would result in the sharing amount being adjusted.

BellSouth proposes that if the 1997 sharing amount is ultimately increased as a result of company and audit adjustments, then the company will make an additional refund. BellSouth also proposes that if the sharing amount is reduced or if the additional sharing amount is so small that it renders an additional refund impractical, then the company will petition the Commission for instructions. We believe that this treatment is reasonable for the above stated scenarios and find that BellSouth's proposal should be approved, with the modification that interest be included in any additional earnings above the sharing point calculated from January 1, 1998.

BellSouth's 1997 refund may need to be adjusted based on a revised surveillance report filed by BellSouth at the end of 1998. BellSouth's 1996 earnings have not been finalized. Therefore, the docket should remain open.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that BellSouth's proposal to refund 60% of earnings between 13.11% ROE and 18.11% ROE plus 100% of earnings above 18.11% ROE on a preliminary basis for 1997 in the amount of \$123.5 million is approved, with the modification that interest of \$3.175 million be added to the \$123.5 million resulting in a total refund of \$126.675 million. It is further

ORDERED that the refunds shall be made during the June, 1998 billing cycles. It is further

ORDERED that in the final report filed pursuant to Rule 25-4.114(7), Florida Administrative Code, BellSouth shall include documentation (in the form of a price out) showing the calculations for the actual refund amounts per line. It is further

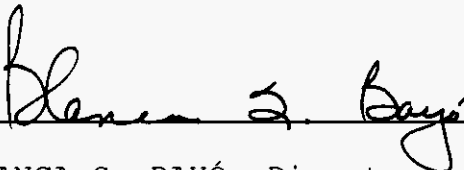
ORDERED that BellSouth's proposal for the treatment of any adjustments to the 1997 sharing amount is approved, with the modification that interest shall be included in any additional earnings above the sharing point calculated from January 1, 1998. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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ORDERED that this Docket shall remain open pending the finalization of BellSouth's 1996 and 1997 earnings.

By ORDER of the Florida Public Service Commission this 19th day of May, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-

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22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 9, 1998.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.